

# Mozambique News Agency

## AIM Reports

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## President Nyusi launches agricultural year

President Filipe Nyusi on 30 October declared that a key government target for the 2015-16 agricultural year is to produce 2.9 million tonnes of grain.

Speaking in the locality of Bendeze, in the northern province of Niassa, at an official ceremony launching the agricultural campaign, President Nyusi said that the target for maize production is 2.1 million tonnes. If achieved, that would be a 17 per cent increase on the 1.8 million tonnes of maize harvested from the 2014-15 campaign.

As for rice, the government is projecting an increase of 12 per cent, from 357,000 to 400,000 tonnes. This would significantly cut Mozambique's bill for imported rice.

"We should all be clear about what we are going to produce, how we shall produce it, when to produce and what amounts to produce", the President said. "We must also know in advance where we are going to market our produce".

He called for greater involvement of all Mozambicans in the agricultural campaign, in order to guarantee food security. The major challenges he said were to modernize smallholder farmers and increase the amount of land under cultivation throughout the country.

All Mozambicans, he said, should motivate, encourage and empower the nation's farmers, including those who have recently graduated from the country's agricultural schools and institutes.

At the Bendeze rally, the President recognized that the desired increase in agricultural production needs greater national and foreign investment, which will also help increase the volume of exports of agricultural produce.

President Nyusi wanted to change the current situation in which agriculture is overwhelmingly a subsistence rather than a commercial activity. He noted that Mozambique possesses about 35 million hectares of arable land, but only 15 per cent of this land is being used.

He promised that the authorities will continue to use extensionists to promote mechanized agriculture and the diversification of crops, as part of the efforts to combat hunger. The government, he added, is also committed to expanding the infrastructures that support agricultural activity, such as roads, bridges, electricity transmission lines and grain silos.

"Our country has excellent conditions to produce all kinds of crops", he said. Yet factors such as limited access to credit, to markets and to technical assistance meant that levels of agricultural productivity were still low.

This scenario should be changed, he added, with the intensive use of improved seeds, pesticides, fertilisers and extension services.

### Mayor of Maxixe arrested

Police on 2 November arrested the Mayor of the southern city of Maxixe, Simao Rafael, who is likely to face corruption charges, reports the newsheet "Mediafax".

This followed the arrest the previous day of the Maxixe councillor for town planning Jacinto Chauque. The detentions resulted from an investigation into corruption and extortion in the hiring of contractors for municipal public works.

Rafael was arrested after he physically assaulted the Maxixe police commander, Joaquim Nascimento, whilst demanding the unconditional release of Chauque.

"He grabbed our commander by the collar", one police officer told "Mediafax".

Police sources told "Mediafax" that when Chauque was arrested he was in possession of four mobile phones and 4,000 South African rands (US\$290). The arrest was based on supposed threats made by Chauque against the Maxixe first secretary of the ruling Frelimo Party and the representative of the State in the municipality, both of whom have opposed the current municipal leadership because of the signs of corruption.

Criminal proceedings against Rafael and Chauque have been initiated by the Inhambane Provincial branch of the Central Office for the Fight against Corruption (GCCC).

In a second municipality, Gorongosa, in the central province of Sofala, five million meticais (US\$119,000) has gone missing from the municipal coffers, and proceedings are under way against four officials of the municipal finance department, reports "O Pais".

The case came into public view when members of the opposition Mozambique Democratic Movement (MDM) raised the issue at a meeting of the Gorongosa Municipal Assembly. Danilo Jose, head of the MDM group in the Assembly, demanded publication of all data about the case.

"We want to know where this sum, of about five million meticais, went", he said. "We want a clear and urgent clarification of this case".

Municipal officials say they are aware of the case, and the Gorongosa Counsellor for Finance, Filimone Baptista, representing Mayor Moreze Causande, told the Assembly "four disciplinary proceedings are underway for violation of state norms".

He gave no further details, leading the MDM to suspect that the Municipal Council is protecting the accused officials.

## Results of hydrocarbon licencing round announced

Mozambique's National Petroleum Institute (INP) has announced the results of the fifth licencing round for exploration and production of hydrocarbons in fifteen blocks.

The fifteen blocks on offer cover an area of 74,259 square kilometres. They are located off the northern coast including the Rovuma Basin, the Zambezi Delta and the area near Angoche, in Nampula province, and onshore around Pande/Temane and Palmeira, in the southern provinces of Inhambane and Maputo

Bids were received for eight of the blocks of which six were successful. The prospective operators have now been invited to commence negotiations for an Exploration Production Concession Contract. These companies are the Italian company ENI, US giant ExxonMobil, South Africa's Sasol, and London-based Delonex Energy.

According to the INP, during the first period of exploration (over the next four years) more than US\$691 million will be spent on drilling ten wells, eight of them in deep water, gathering seismic data and on other geotechnical studies.

Three further companies will act as non-operator partners: the Russian company Rosneft is the partner of ExxonMobil in the three blocks awarded to the American company; the Norwegian company Statoil will partner ENI and Sasol; and the Indian Oil Corporation will partner Delonex Energy.

In addition, in each area the state hydrocarbon company, ENH, is taking up a stake of between ten and thirty per cent.

## LNG payments to state could reach \$212 billion

The Mozambican state could gain as much as US\$212 billion in taxes, dividends, bonuses and other payments over the lifetime of the liquefied natural gas (LNG) project in Palma, in the northern province of Cabo Delgado, according to the chairperson of the National Hydrocarbon Company (ENH), Omar Mitha.

Speaking at a conference in Maputo on 28 October organized by the Centre for Public Integrity (CIP), Mitha explained that the gains from the LNG project will depend on how many LNG factories (known as "trains") are built.

Consortia headed by the United States company Anadarko and by the Italian energy firm ENI have so far discovered gas reserves estimated at 170 trillion cubic feet in Rovuma Basin offshore areas one and four. Anadarko plans to build its liquefaction plants on land, on the Afungi Peninsula in Palma district, while ENI intends to build a floating LNG facility.

Mitha's calculations are that, if only two LNG trains are built, payments to the state will amount to US\$67 billion in the project's lifetime (up to 2035). But if six trains are built, then payments will rise to US\$212 billion.

With six trains, Mitha put the increase in Mozambican GDP by 2035 at US\$39 billion. Per capita GDP, he added, would rise from the 2014 figure of US\$650 to US\$4,500 in 2035, in real terms.

From now until 2035, the project could generate 700,000 jobs (assuming six trains and no construction delays). But only 16,000 of these will be jobs in the LNG industry, mostly building jobs at the peak of constructing the trains. The rest will be indirect jobs, generated in the rest of the economy.

ENH is required to contribute to the investment that will be made by the Anadarko and ENI-led consortia. ENH holds a 15 per cent share in Area One and 10 per cent in Area Four. Currently ENH does not have the liquidity to pay for its share in these investments, and Mitha said that it is a key challenge to find ways of financing ENH so that it can participate.

## Mozambique requests IMF loan

Mozambique has requested financial assistance from the International Monetary Fund (IMF) for the first time in a decade. The IMF was once a significant creditor, but all of Mozambique's debts to the IMF were cancelled in December 2005, under the Multilateral Debt Relief Initiative (MDRI).

According to the IMF, Mozambique has requested over 204 million Special Drawing Rights (equivalent to US\$286 million) from the SCF. The IMF describes the SCF as a facility which "provides financial assistance to low-income countries with short term balance of payment needs".

The SCF is intended "to make the Fund's financial support more flexible and better tailored to the diverse needs of low income countries including in times of shocks or crisis". It carries a lower rate of interest than other IMF loans.

The loan is not yet definitive: it must be approved by the IMF Executive Board, probably in mid-December.

An IMF delegation that visited Mozambique between 14 and 28 October gave an upbeat assessment of the Mozambican economy, despite the request for SCF assistance. It found that "economic activity in 2015 has remained solid though new challenges have emerged and require decisive policy action".

The IMF estimates that the GDP growth rate this year will reach 6.3 per cent (lower than the hoped for 7.5 per cent), accelerating to 6.5 per cent in 2016. Inflation is currently low at around two per cent a year, but the IMF expects it to rise to five or six per cent over the next few months "due to the recent depreciation of the metical, and required adjustments in administered prices".

The IMF expects growth rates to rise to an average of eight percent in the 2017-2020 period "owing to positive prospects of massive investments in extractive industries, especially liquefied natural gas".

The IMF is positive about medium term prospects, but warns that Mozambique is facing "more complex" short term challenges. The country "is currently experiencing an external shock associated with the drop in commodity prices, lower growth in trading partners, and delays in investment associated with large natural resource projects. Excessively expansionary policies in 2014 (especially on the fiscal side) also contributed to the current difficulties the country is facing".

It notes that "imports have continued to grow at a fast pace at 17 percent year-on-year, while exports have stagnated. Capital inflows have also declined substantially compared to a year ago. This has created pressures in the foreign exchange market and has caused a sharp decline in international reserves and a depreciation of the metical".

The IMF praised the Bank of Mozambique "for the recent decision to tighten monetary policy". This refers to the Bank's decision to increase its interest rates.

## Fitch downgrades Mozambique credit rating

The US-based international ratings agency Fitch has announced that it is downgrading Mozambique's credit rating from 'B+' to 'B' with a stable outlook.

Both its long term foreign and local currency Issuer Default Ratings (IDR) and Country Ceiling fell to 'B'. The short-term currency IDR remains at 'B'.

According to Fitch, the country's fiscal profile has "deteriorated sharply over the past year, reflecting high budget deficits, a rapid rise in public debt, volatile government revenue and a widening wage bill".

Fitch accepted that the government is making efforts to rein in capital expenditure but warns that fiscal consolidation

is expected to be gradual. It expects the general government deficit to average 5.8 per cent of GDP in 2015-17 which is well above the 3.6 per cent average in 2011-13.

The ratings agency pointed out that government debt has increased partly due to a forty per cent depreciation of the national currency, the metical. It noted that around eighty per cent of public debt is denominated in foreign currency.

Thus, Fitch expects the government debt to GDP ratio to reach a ten year high of 61.6 per cent by the end of the year compared to 37.6 per cent in 2011.

The analysis also pointed to the negative effects of low global commodity prices. It noted that exports fell only modestly in the first quarter of this year, which highlighted the country's relatively diversified export base. However, foreign direct investment fell by 22 per cent due mainly to a reduction in investment in the mining sector.

Despite these difficulties, Fitch is confident about the future. It stated that, in the medium term, Mozambique's economic prospects remain positive "underpinned by strong investment growth, a rising labour force and the development of vast natural gas resources".

It found that the problems in the mining sector are partly being offset by strong growth in agriculture, transport, utilities and services "which will continue to benefit from broad macroeconomic stability".

Fitch expects GDP growth to average 6.6 per cent in 2015-17. In addition, it noted that there is little indication that key investors are pulling out of the development of liquefied natural gas (LNG) facilities in the north of the country.

Fitch is one of the three main credit rating agencies (the others being Moody's and Standard and Poor's).

## Minister confirms clashes with Renamo

Interior Minister Jaime Monteiro on 30 October confirmed clashes have taken place between the defence and security forces and gunmen from the largest opposition party Renamo in the central provinces of Sofala and Zambezia.

Speaking to reporters in Canda, in the Sofala district of Gorongosa, where he was representing President Filipe Nyusi at the launch of the 2015-16 agricultural campaign, Monteiro said that on 29 October Renamo gunmen attacked a vehicle of the riot police which was on patrol in the Vanduzi area, also in Gorongosa. Two policemen were injured in the attack.

The clashes in Zambezia have been reported from Morrumbala district, which is where Renamo stated earlier this year that it was setting up a new barracks.

Monteiro also confirmed that the defence and security forces are now dismantling Renamo bases and collecting the weapons found there. He said this would continue despite the recent clashes. Monteiro described Renamo bases as "nests of instability", and removing them was necessary to guarantee public order and tranquillity throughout the country.

He said this action began on 9 October, when the defence forces disarmed the personal guard of Renamo leader Afonso Dhlakama in Beira.

"Our main mission is to guarantee public order and tranquillity", stressed Monteiro. "So we shall continue to fight crime, particularly crime practiced with the use of firearms. We are now beginning the agricultural campaign, and the people want to work the land freely and peacefully, to increase production and productivity". He promised that all the Renamo bases would be dismantled.

As for the alleged "disappearance" of Dhlakama, who has not been seen in public since 9 October, Monteiro said he is a free citizen entitled to travel wherever he likes, and the police will protect him just as it protects any other citizen.

## President calls on banks to expand

President Filipe Nyusi declared on 29 October that only the expansion and modernization of the Mozambican banking network can provide the country with the desired revolution in its economy.

Speaking at a dinner held by the largest Mozambican commercial bank, Millennium BIM, on the occasion of its 20th anniversary, President Nyusi said that the financial system is vital for the national economy.

He added that, despite an adverse national and international conjuncture, the financial system remains solid and has succeeded in attracting national and foreign capital.

President Nyusi noted the depreciation of the national currency, the metical, against the US dollar, and linked this to a reduction in the flows of foreign aid. Indeed, the figures published recently by the Bank of Mozambique point to a reduced availability of foreign currency – the country's reserves have been reduced because of increased foreign debt repayments and a higher fuel bill. Lower levels than hoped of foreign aid and of foreign direct investment mean that the reserves have not been replenished.

"Every year more foreign currency leaves the country than enters, and this situation has been overcome by resorting to foreign aid", said the President. "This means we are consuming more than we produce. Thus we note that less foreign currency is available on the market which contributes to the volatility of the metical".

Nonetheless, the overall performance of the economy remained satisfactory. "Inflation remains low and under control", said President Nyusi. "In September, annual inflation was 2.7 per cent, while the target for this year is annual inflation of no more than five per cent".

In the first six months of the year, Mozambique's gross domestic product grew at an annual rate of 6.3 per cent. This was lower than 2014 levels, but President Nyusi believed it was consistent with a target for the entire year of a 7.5 GDP growth rate.

President Nyusi challenged the Millennium-BIM and the country's 17 other commercial banks to accelerate the pace of opening bank branches in the districts, ensuring that there is at least one bank in every district.

Figures published by the Bank of Mozambique this week show that, as of August, there were 633 bank branches in the country. Of these, 168 belong to BIM.

But the vast majority of branches are in the main cities. There are only 144 bank branches in the districts, covering between them 70 districts. There are 151 districts, and so the majority still are not served by any of the commercial banks.

BIM chairperson Rui Fonseca told the ceremony that the bank "is encouraging financial inclusion focused on women, as the centre of the family and of society".

"Since women are the true engine of the informal economy in our country", he continued, "we are promoting this inclusion through creating incentives to join the formal economy". The bank was providing services "for an increasing number of informal operators, who are gradually being transformed into formal businesses".

Antonio Monteiro, the chairperson of the main shareholder in BIM, the Portuguese bank, Millennium-BCP, said that BIM has a share of about 30 per cent of the Mozambican financial market, with about 1.5 million clients and a workforce of 2,500 - 98 per cent of whom are Mozambicans.

At the end of June 2015, he said, the bank had total resources of 80 billion meticaes (slightly less than US\$2 billion), and the loans it had granted amounted to 58 billion meticaes.

## Four kidnapers jailed in Beira

The Sofala Provincial Court, sitting in Beira, on 26 October sentenced four members of a kidnap gang to between ten and 22 years imprisonment.

The four were found guilty of abducting two minors, Luis Ribeiro Junior in February 2014 and Rudy Taveira da Costa in January 2015. At the time of the kidnappings, both boys were 14 years old.

The kidnapers successfully demanded large ransoms from the boys' families for their release. They received 2.5 million meticaís (US\$62,500) for Luis Junior, and 800,000 meticaís for Rudy da Costa.

Luis Junior was kidnapped in central Beira where he was playing with friends in front of his parents' house. He crossed the road to where a Toyota Allex was parked, with five people inside. Two of them, Teotonio Farias and Feliciano Jamu, leapt out and seized Luis, threatening him with a knife. Luis later said he recognized Jamu as the husband of one of his cousins.

Luis was blindfolded and taken to a hideout which, judging from the regular noise of trains, was near a railway. The negotiations with the family were rapid, and Luis was released a day after he had been abducted.

A more sophisticated method was used to kidnap Rudy da Costa. The court found that Teotonio Faria set up a Facebook page, under the alias of Yassimin Pereira, with the sole purpose of attracting Rudy. Once the two had become Facebook friends, Faria suggested a face-to-face meeting.

Rudy was initially reluctant, but eventually agreed to meet "Yassimin" on 7 January 2015 near the entrance to the Beira fishing port. Four kidnapers were waiting for him, and grabbed him as soon as he arrived. He was taken to the home of Faria's parents in the Beira neighbourhood of Manga, but was released the following day after his family had paid the ransom.

After the second kidnap, the gang began to display signs of sudden wealth. They purchased vehicles and began to build houses. When reports began to circulate that their money came from ransoms, they quickly sold off all that they had recently acquired. But it was too late, since the police were now on their trail.

The Beira judge, Alberto Assane, sentenced Faria and Jamu to 22 years, and a third member of the gang, Bilson Moura, to 20 years. The fourth accused, Picardo Agostinho, cooperated with the police, and testified against the other gang members. His cooperation won him the lower sentence of ten years.

Assane also ordered the kidnapers to repay the ransoms they had extorted from the boys' families, plus further compensation of 1.5 million meticaís. The Toyota they used for the kidnapping and any remaining goods purchased with the ransom money revert to the State.

This is a condensed version of the AIM daily news service – for details contact [pfauvet@live.com](mailto:pfauvet@live.com)

## Police seize pumps used in illegal mining

The recently established Natural Resources Protection Police at the weekend seized 124 pumps that were being used for illegal mining in the central province of Manica.

The police are seeking to combat gold mining techniques which lead to pollution of rivers in Manica. Most of the illegal miners are said to be Zimbabwean citizens.

The Manica provincial police commander, Armando Canheza, said that community leaders in this region support the police intervention. He urged Manica communities to continue collaborating with the authorities in denouncing citizens involved in illegal mining, particularly under cover of night.

The administrator of Manica district, Carlos Malia, recognized the efforts that community authorities have made in fighting against illegal mining, and believed that this is now being reflected in reduced pollution of the rivers.

Serious concerns have been raised that the use of toxic substances such as mercury by the miners is poisoning the rivers on which many people depend for their drinking water.

If the companies do comply with the decree, then as from late November anyone with an unregistered SIM card will be unable to make or receive phone calls or text messages.

## Power cuts in Maputo to continue until late November

Lengthy power cuts are continuing to plague parts of Maputo city and Maputo and Gaza provinces, but the publicly owned electricity company, EDM, promises that the problem will be solved by late November.

The problem lies with the Matola sub-station, which is critical to the supply of electricity in much of southern Mozambique.

There are two transformers in the sub-station. One of them broke down in March, and the second suffered a major breakdown on 30 September, when the sub-station was hit by lightning. EDM's estimate is that replacing both transformers will cost 100 million meticaís (US\$2.43 million).

While the repairs continue, EDM is planning power cuts, and hopes to restrict them to Fridays and Saturdays. Unlike previous power cuts, these have been announced to consumers in advance, which should help businesses minimize their losses.

These planned power cuts affect 14 areas in the central part of the capital, mostly in downtown Maputo, four neighbourhoods in the adjoining city of Matola, Namaacha district, on the border with Swaziland, and several parts of Xai-Xai and Chokwe towns in Gaza.

EDM teams have been working on repairing the Matola sub-station for the past three weeks, assisted by technicians from Portugal, the country where the transformers were manufactured.

Currently, only one of the transformers is being repaired, and a new coil is being installed. EDM promises to repair the second transformer within the next six months.

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